

Army Lodging Demand Analysis



Sierra Army Depot

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3D/I

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Demand Analysis

Overview

Sierra Army Depot is a government owned and operated installation under the jurisdiction of the U.S. Army Tank-Automotive and Armaments Command (TACOM). The mission of the Sierra Army Depot is to serve as the U.S. Army's Rapid Delivery Logistics Facility and a DoD strategic power projection support platform. As the Army's Center of Industrial Technical Excellence (CITE), the installation provides world-wide logistics support in the form of maintenance, assembly and containerization.

The population at Sierra Army Depot decreased over the last five years; it dropped from 835 in FY99 to 648 in FY 02 and then to 628 in FY03. The installation expects the population to stabilize at the slightly higher level of 649 by FY05.

In FY03, Sierra Army Depot's lodging demand comprised 4% Temporary Duty (TDY) personnel, 1% Permanent Change of Station (PCS) personnel, and 95% unofficial travelers. Unofficial demand is not used in the calculation of recommended room inventory.

The majority of TDY personnel attended classes and training activities that lasted from 5 to 7 days. All of PCS stays ranged from 1 to 3 days.

The table below describes Sierra Army Depot's official demand population.

<i>Sierra Army Depot</i>		
Official Market Demand Analysis		
	TDY	PCS
Total Demand:	4%	1%
Market Segmentation:		
Individuals	50%	50%
Families	50%	50%
Average Length of Stay (Days):		
14 days or less	90% (5-7 days)	100% (1-3 days)
More than 14 days	10% (10-14 days)	0% (30-35 days)

Source: Sierra Army Depot Lodging Administration, compiled by HVS International

On Post Inventory

Sierra Army Depot has 14 rooms in its lodging inventory.

Demand and Utilization

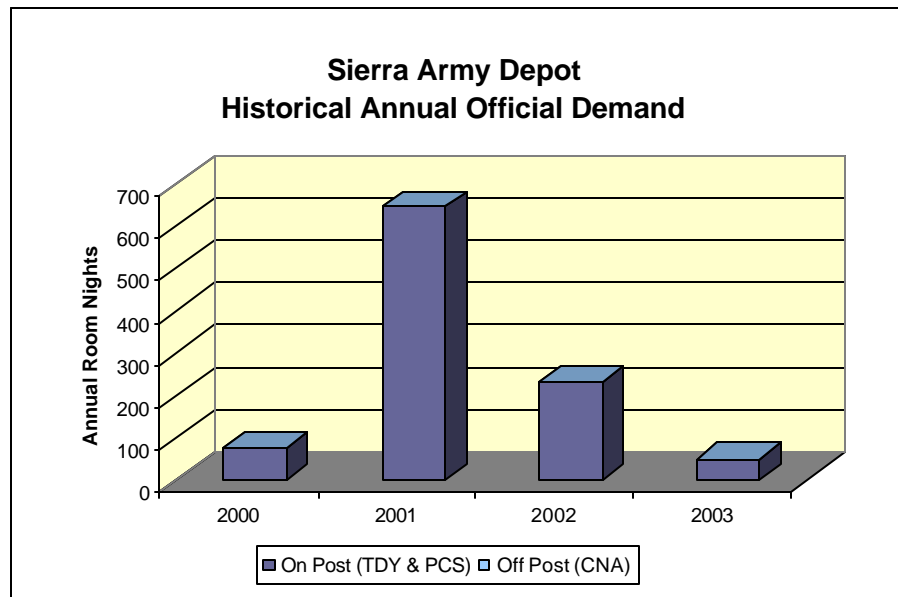
Data Summary

Official demand, including Certificates of Non-Availability (CNAs), totaled only 51 room nights in FY03, down from 231 room nights in FY02. In FY03, total official demand averaged less than one room night per day.

TDY demand decreased in recent years, falling from 409 and 200 room nights in FY01 and FY02, respectively, to 46 room nights in FY03. PCS demand decreased from 238 room nights in FY01 to 31 in FY02 and 5 in FY03.

There were no CNAs reported for the historical period from FY00 to FY03.

The following chart summarizes Sierra Army Depot's historical data; it identifies the annual official demand both on and off post.



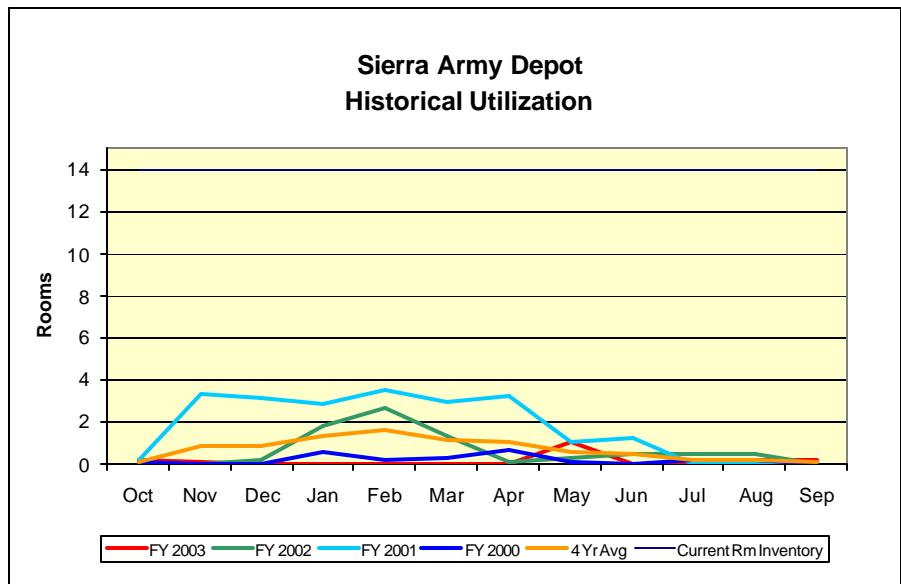
Source: Sierra Army Depot Lodging Administration, compiled by HVS International

Lodging occupancy at Sierra Army Depot decreased from 26.8% in FY00 to 21.4%, and 19.9% in FY02 and FY03, respectively. The decrease in FY03 occupancy is attributed to a decrease of both TDY and PCS activity

at the installation. As noted, the majority of demand captured by the Depot's inventory was unofficial.

The decline in FY03 official demand was reportedly due to the heightened security of operations at the installation, and the result of TACOM meetings being moved to nearby Reno, Nevada. Reno reportedly has the facilities to house large groups and offers more leisure time options.

The following chart summarizes Sierra Army Depot's historical utilization data by month.



Source: Sierra Army Depot Lodging Administration, compiled by HVS International

Except for slightly higher demand in the first part of FY01, monthly variances between years are minimal. This chart underscores the minimal level of official demand at this installation.

Seasonality

The records indicate little seasonality to Sierra Army Depot lodging demand; recent demand trends indicate slightly higher levels of occupancy January through March.

Factors Influencing Demand

Lodging management does not expect any changes in mission, schedule or other factors that would have significant influence on lodging demand patterns.

Private Market Capability

Sierra Army Depot is rather isolated from nearby lodging establishments. The closest hotels are located in Susanville, California, which offers nine area hotels inclusive of 431 rooms within a 30-minute rush-hour driving time radius of the installation. These hotels range in size from 25 rooms to 85 rooms. The hotels in Susanville are somewhat limited in size and amenities, and there is limited airport access.

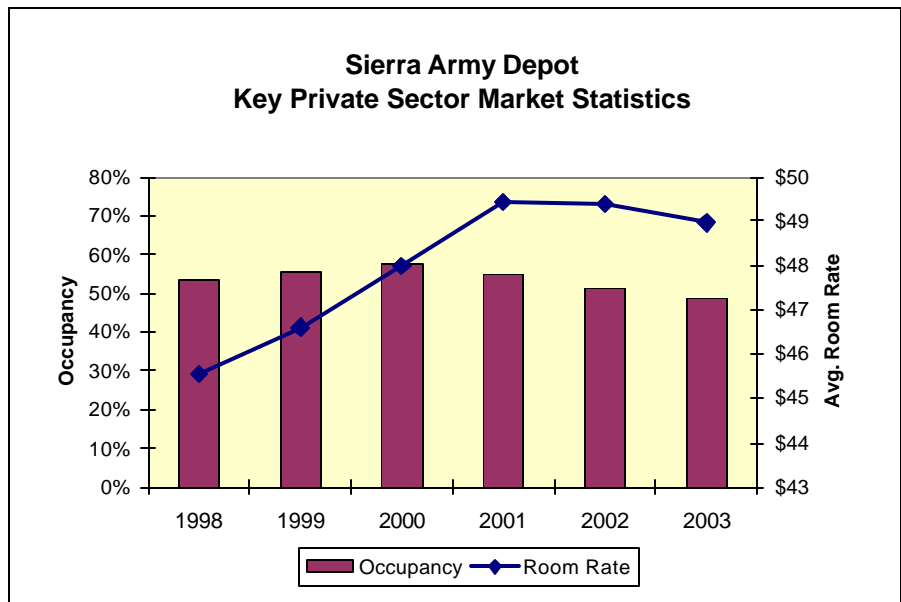
Lodging Management refers the majority of travelers to hotels in Reno, which comprises a vast market of roughly 36,000 rooms among more than 30 hotels. Property sizes range from 20 to 1,631 rooms.

Overall, the Susanville/Reno private market hotels represent a wide range of facilities affiliated with recognizable brand names; examples include Holiday Inn, Days Inn, and Best Western.

Area occupancy levels in the private market fell from 57.8% in calendar year 2000 to less than 49.0% in 2003, consistent with the nationwide decline in travel and increased supply. This provides significant capacity within the private market to house demand from the installation.

The room rates quoted by the hotels on the installation's referral list ranged from \$32 to \$89. The rounded, weighted average rate offered by these hotels to government travelers was \$53; close to the per diem of \$55 that was in our quantitative analysis. This available rate position is also supported by the Smith Travel Research market data, which indicated a market-wide average near \$49.

The following chart below describes key private market statistics.



Source: Smith Travel Research

Demand Requirement Determination

Complete data pertaining to the last four years was available for Sierra Army Depot; we used this time frame as a basis for demand projections. We did not receive FY99 data.

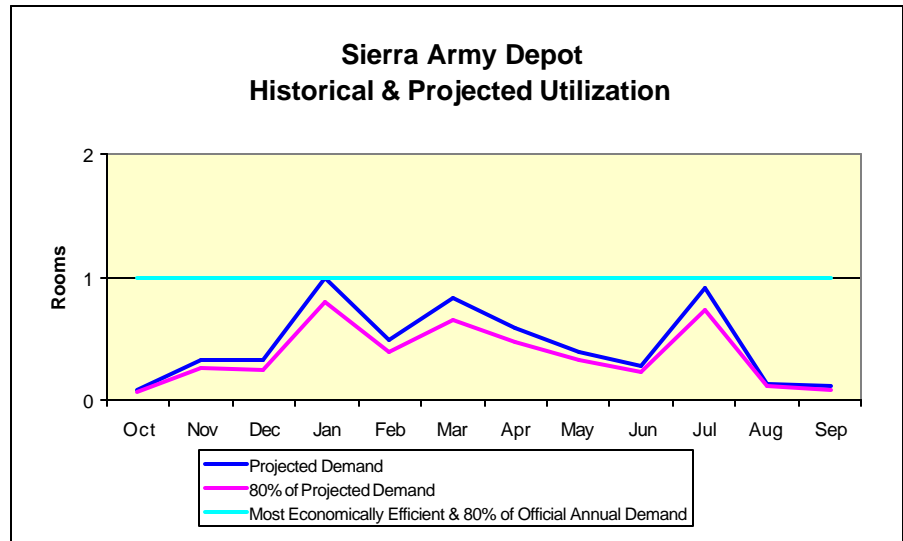
The normalization process eliminated monthly demand variances that were 20% greater or 20% less than average demand for FY00 through FY03. Variances greater or less than 20% of the average are atypical and unlikely to recur. For Sierra Army Depot, normalization resulted in decreased demand in FY01 by 420 rooms and 4 rooms in FY03. Normalization resulted in increased demand in FY00 and FY02 by approximately 25 and 39 room nights, respectively.

The Core Lodging Requirement objective is to provide sufficient lodging to meet 80% of the official demand. Using this criterion, the total number of rooms required on an annualized basis is one, generating occupancy of 53%. As implied by the criterion, at least 80% of the official demand is met each month. On an annual basis, 91% of the official demand is met.

Another method to determine the number of rooms to be provided at the installation applies the "Most Economically Efficient" criterion. This measure compares the cost of having a vacant room to the incremental cost of lodging personnel off post. When the costs of these scenarios are at equilibrium, the most cost efficient number of rooms will be provided

from an operating cost perspective. The number of rooms required to achieve this equilibrium for Sierra Army Depot is one. With a room inventory of one, the expected occupancy is 45% and 99% of the official demand is met.

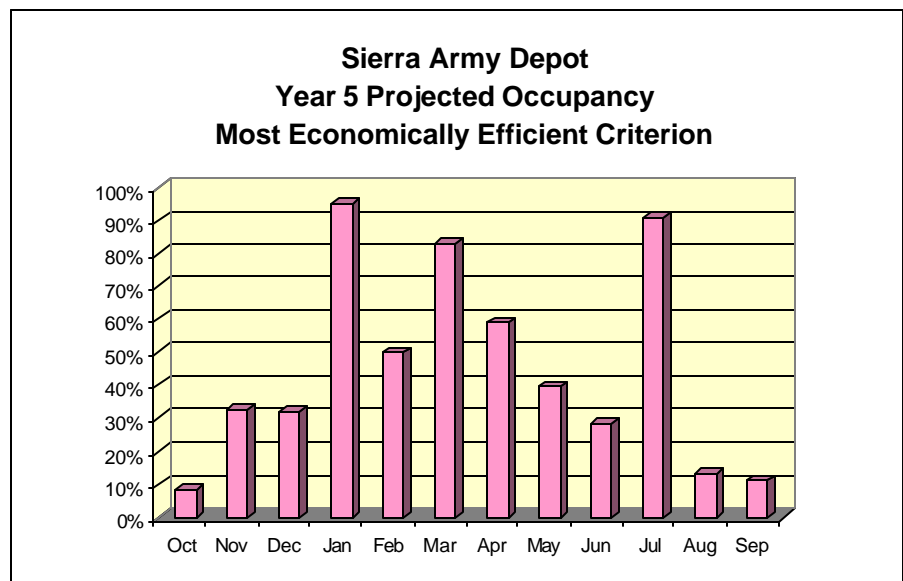
The chart below compares the alternatives of room inventory to projected demand.



Source: Sierra Army Depot Lodging Administration and HVS International

Both methods result in the same recommendation of one room. Sierra Army Depot's projected FY09 Average Daily Rate is \$58.23, based on projected operating costs and exclusive of Wellness recommended capital improvement costs.

The chart below presents the expected occupancy percentage on a monthly basis.



Source: HVS International

Using the “Most Economically Efficient” criterion, the average occupancy is 45% and 99% of the official demand is met. On a monthly basis, occupancy varies from a low of 8% in October to 95% in January.

Summary and Recommendation

- Sierra Army Depot’s population declined to approximately 630 in FY03; the installation forecasts minimal growth with a population near 650
- The local private sector lodging market is reportedly stable and has the capacity to house personnel off-post; reported room rates are near the per diem rate
- Official demand has decreased over the last three years and is expected to remain stable
- There were no CNAs recorded from FY00 to FY03
- Providing a room inventory equal to the results of the “Most Economically Efficient” criterion will generate an annual occupancy rate of 45%.

Room Count and Mix Recommendation

- 1 room
- Proposed room mix:
 - 1 standard guest room